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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning and Evaluation of
Integrated Demand Side Resource Programs.

R.14-10-003
(Filed October 2, 2014)

**OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) ON
PROPOSED DECISION ADOPTING AN EXPANDED SCOPE, A DEFINITION AND A
GOAL FOR THE INTEGRATION OF DEMAND SIDE RESOURCES**

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I. INTRODUCTION.

Pursuant to Rule 14.3(a) of the California Public Utilities Commission's (Commission's or CPUC's) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby files its Opening Comments on the August 13, 2015 *Proposed Decision Adopting an Expanded Scope, A Definition and a Goal for the Integration of Demand Side Resources* (PD).

As discussed in more detail below, PG&E supports the PD, but requests two changes.

First, PG&E requests that the definition and goal for integration of demand-side resources be revised to reflect statutory requirement that the procurement of unmet electricity and gas resources must be cost effective, reliable, and feasible.

Second, PG&E requests that the PD to be revised to clarify how the expanded scope of Rulemaking (R.) 14-10-003 (Integrated Demand Side Resources Rulemaking, or IDSR Rulemaking) will be coordinated with the Commission's Electric Distribution Resources Plan rulemaking (EDRP Rulemaking), R.14-08-003,^{1/} the Long-Term Procurement Plan (LTPP) proceeding (R.13-12-010), as well as with other electric procurement related proceedings that have addressed or are addressing the rates, tariffs, and methodologies for sourcing various distributed energy resources (DERs) as defined in Public Utilities Code Section 769.

^{1/} PG&E's Distribution Resources Plan (DRP) was filed on July 1, 2015 as Application (A.) 15-07-006.

II. THE DEFINITION AND GOAL FOR INTEGRATED DEMAND SIDE RESOURCES SHOULD INCLUDE COST-EFFECTIVE DEMAND-SIDE RESOURCES CONSISTENT WITH PUBLIC UTILITIES CODE SECTION 769.

As a threshold matter, the PD proposes to adopt a new definition and goal for the integration of demand-side resources. (PD, pp. 2, 14- 17; Ordering Paragraphs 3, 4 and 5, p. 26.) Unfortunately, the proposed definition and goal are inconsistent with the adopted definitions and goals for DERs and other resources in the Public Utilities Code and Commission decisions and proceedings. In particular, the definition and goal do not include the “cost-effectiveness” and “avoided cost” criteria applicable to the sourcing and procurement of resources and DERs under Public Utilities Code Sections 454.5, 454.56 (b) and 769. For example, utility resource procurement plans must follow a loading order in which unmet resource needs are first met through available energy efficiency and demand reduction resources that are “cost effective, reliable and feasible.” (Public Utilities Code §§ 454.5(b)(9)(C), 454.56 (b).) Similarly, Public Utilities Code Section 769 defines the integration of DERs as requiring evaluation of “cost-effective” methods and deployment of DERs, including, *inter alia*, to “minimize overall system costs and maximize ratepayer benefit” from DERs and to avoid or reduce “increases in local generation capacity needs” or “increased investments in distribution infrastructure.” (Public Utilities Code § 769((b)(1), (2),(3), (4); (c).)

Accordingly, PG&E recommends that the PD’s definition and goal for integration of demand-side resources be modified consistent with the Public Utilities Code requirements and related Commission decisions as follows:

Definition

*A regulatory framework, developed by the Commission **consistent with Public Utilities Code Sections 454.5, 454.56 (b), and 769,** to enable utility customers to effectively and efficiently choose from an array of **cost-effective, reliable and feasible** demand-side and distributed energy resources taking into consideration the impact and interaction of resources on the system as a whole as well as on an individual customer’s energy usage.*

Goal

To deploy cost-effective, reliable and feasible distributed energy resources consistent with Public Utilities Code Sections 454.5, 454.56 (b), and 769 that provide optimal customer and system net benefits, while enabling California to reach its climate planning objectives.

These revisions to the PD's proposed definition and goal would ensure that the expanded IDSR Rulemaking is consistent with California law and is coordinated with the Commission's related goals and definitions for resource procurement and electric distribution planning in other proceedings and decisions.

III. THE PD APPROPRIATELY DEFERS TO THE SCOPE AND SCHEDULE OF THE COMMISSION'S EDRP RULEMAKING.

PG&E supports the PD's finding that the IDSR Rulemaking overlaps with the EDRP Rulemaking, and that system planning and long-term resource planning policies and criteria are addressed in other proceedings. (PD, p. 11 ("...[T]he Commission will determine how the distributed energy resources needed will be sourced, once the required characteristics and values of these resources have been determined in R.14-08-013); Findings of Fact 1, 2, 6 and 7, p. 23.) The PD thus appropriately concludes that R.14-10-003 should defer to the determination of the required characteristics and benefits of demand-side resources in the EDRP Rulemaking prior to any further activities in the IDSR Rulemaking to evaluate how such demand-side resources should be "sourced." (PD, Ordering Paragraphs 1 and 7, pp. 25-26.)

In order to implement this deferred approach to further activities in the EDRP Rulemaking, PG&E recommends that the Commission, if it adopts the PD, defer the development of a Scoping Memo for the additional activities until after the Commission has adopted its Scoping Memo for the EDRP Rulemaking and associated utility applications. This will help reduce the administrative burden and allocation of resources by both Commission staff and interested parties in the two proceedings and other proceedings which the revised scope of the IDSR Rulemaking clearly overlaps, such as the LTPP proceeding and the other proceedings identified in the Assigned Commissioner's Guidance Ruling in the EDRP Rulemaking (R.14-08-013, February 6, 2015, *Assigned Commissioner's Ruling on Guidance for Public Utilities Code*

Section 769 – Distribution Resource Planning, p. 10). In addition, PG&E recommends that the PD be modified to coordinate with the scope of the LTPP proceeding when considering solutions to potential operational flexibility events (such as over-generation events), and to balance the cost-effectiveness, GHG, and reliability impacts of alternatives, which are being considered in the current and the 2016 LTPP proceeding.^{2/}

IV. THE PD SHOULD CLARIFY THAT IT ALSO DEFERS TO THE SCOPE AND SCHEDULE OF OTHER COMMISSION PROCUREMENT DECISIONS AND PROCEEDINGS THAT ADDRESS THE SOURCING OF DERS.

In addition to the appropriate deferral of activities in this Rulemaking to the determinations in the Electric Distribution Resources Plan rulemaking, the PD should also clarify that it will defer to the scope and schedule of several other proceedings that address utility resource planning and procurement and system planning issues. These include not only the LTPP proceeding, but also, *inter alia*, the following proceedings listed by the Assigned Commissioner’s Guidance Ruling in R.14-08-013:

- Alternative Fueled Vehicles (R.13-11-007);
- Demand Response (R.13-09-011);
- Distributed Generation (R.12-11-005);
- Energy Efficiency (R.13-11-005);
- Energy Storage (R.15-03-011);
- Net Energy Metering Successor Tariff (R.14-07-002);
- Residential Rate Reform (R.12-06-013), and related utility-specific implementation and rate design proceedings;
- Water-Energy Nexus (R.13-12-011);
- Statewide Marketing Education & Outreach (A. 12-08-007 *et al.*).
- Rule 21 Interconnection (R.11-09-011);
- Renewable Portfolio Standard (R.15-02-020).

^{2/} R.13-12-010, *Administrative Law Judge’s Ruling Discontinuing Phase 1A and Setting Forth Issues for Phase 1B*, March 25, 2015, p. 5.

In addition to these pending proceedings, the expanded scope of the IDSR Rulemaking would overlap with and will need to be closely coordinated with three other categories of major proceedings:

- Individual utility General Rate Case (GRC) proceedings, in which distribution capacity investments and system planning are reviewed, consistent with the requirement of Public Utilities Code Section 769(d) that utility spending on distribution infrastructure pursuant to approved Electric Distribution Resources Plans be considered in GRCs.
- California Independent System Operator (CAISO) planning and related utility investments in electric transmission infrastructure to support transmission grid needs and demand side resource programs that impact or also meet the needs of the transmission grid.
- Research, development and demonstration projects approved and conducted by the California Energy Commission and individual utilities under the triennial Electric Program Investment Charge (EPIC) plans approved by the CPUC.

PG&E recommends that the PD be revised to clarify how the scope of the IDSR Rulemaking will coordinate and avoid conflict with these other proceedings that may relate to or address demand-side resource policies and sourcing methodologies.

V. THE PD SHOULD CLARIFY THAT IT ALSO WILL DEFER TO DETERMINATIONS IN THE EDRP RULEMAKING ON (1) CHANGES TO EXISTING TARIFFS AND CONTRACTS TO IMPLEMENT LOCATIONAL NET BENEFITS METHODOLOGIES; AND (2) PILOT PROJECTS TO DEMONSTRATE LOCATIONAL NET BENEFITS METHODOLOGIES.

The PD proposes to expand the rulemaking to include “adoption of localized incentives [for demand-side resources] and what methodology should be used in determining such incentives.” (PD, Ordering Paragraph 6.) However, the EDRP Rulemaking already includes development of a “unified locational net benefits methodology” within the required scope of the utilities’ DRPs, and the utilities already have filed extensive detailed locational net benefits

methodologies in their DRPs based on methodologies already approved by the Commission in other proceedings, such as LTPP proceedings. It is expected that the Commission, utilities and interested parties will review the locational net benefits methodologies in the EDRP Rulemaking, and any proposed changes to existing tariffs and contracts as may be appropriate will be considered in later phases of the DRP proceeding or appropriate rate-setting proceedings, consistent with the “avoided cost” and “net benefits” methodology for DERs adopted by Public Utilities Code Section 769. Accordingly, PG&E recommends that the PD clarify that its evaluation of “localized incentives” will defer to the locational net benefits methodologies in the utilities’ approved Electric Distribution Resource Plans in R.14-08-013 and other related proceedings in which changes to utility tariffs and contracts are considered.^{3/}

Likewise, the PD references a Phase II of the IDSR Rulemaking which “will consider how pilots may be launched to explore promising distributed energy resource sourcing mechanisms.” (PD, p. 22.) Again, PG&E recommends that the PD be revised to clarify that the consideration of any “pilots” in Phase 2 of the IDSR Rulemaking await the results of the DER demonstration and deployment projects proposed by the utilities and to be approved by the Commission for the purpose of testing locational net benefits methodologies in the EDRP Rulemaking as required by the Assigned Commissioner’s Guidance Ruling. (R.14-08-013, February 6, 2015, *Assigned Commissioner’s Ruling on Guidance for Public Utilities Code Section 769 – Distribution Resource Planning*, Attachment, pp. 5- 7.) In addition, any “pilots” considered in the IDSR Rulemaking should be coordinated and potentially consolidated with the Commission’s review of similar research, development and demonstration projects in its triennial EPIC program proceedings.

VI. CONCLUSION

PG&E appreciates the opportunity to provide these opening comments on the August 13,

^{3/} The determination of customer incentives for demand-side and energy efficiency investments generally is separate from the utility procurement and “sourcing” of those investments for system and resource needs, and thus should continue to be determined in the appropriate customer-side EE and DR portfolio proceedings.

2015, PD and respectfully requests that the PD be adopted with the clarifications and revisions recommended in this comments.

Respectfully Submitted,

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Attachment A

Proposed Changes to Conclusions of Law and Ordering Paragraphs

Proposed New Conclusion of Law 7:

7. Public Utilities Code Section 454.5(b)(9)(C) requires an electrical corporation to "first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable and feasible." Public Utilities Code Section 454.56 (b) requires a gas corporation to "first meet its unmet resource needs through all available natural gas efficiency and demand reduction resources that are cost effective, reliable and feasible." Public Utilities Code Section 769 defines the integration of DERs as requiring evaluation of "cost-effective" methods and deployment of DERs, including, inter alia, to "minimize overall system costs and maximize ratepayer benefit" from DERs and to avoid or reduce "increases in local generation capacity needs" or "increased investments in distribution infrastructure." (Public Utilities Code § 769(b)(1), (2),(3), (4); (c).)

Proposed Changes to Ordering Paragraphs:

3. The following definition of the integration of demand-side resources is adopted:

A regulatory framework, developed by the Commission **consistent with Public Utilities Code Sections 454.5, 454.56 (b), and 769**, to enable utility customers to effectively and efficiently choose from an array of **cost-effective, reliable and feasible** demand-side and distributed energy resources taking into consideration the impact and interaction of resources on the system as a whole as well as on an individual customer's energy usage.

5. The following goal for the integration of demand side resources is adopted:

To deploy **cost-effective, reliable and feasible** distributed energy resources **consistent with Public Utilities Code Sections 454.5, 454.56 (b), and 769** that provide optimal customer and system **net** benefits, while enabling California to reach its climate planning objectives.